



PROPOSED RULE MAKING (RCW 34.05.320)

**CR-102 (7/10/97)
Do NOT use for expedited
adoption**

Agency: Office of the Insurance Commissioner

- X Preproposal Statement of Inquiry was filed as WSR 01-08-099 ; or
☐ Expedited Adoption -- Proposed Rule Making notice was filed as WSR _____; or
☐ Proposal is exempt under RCW 34.05.310(4).

X Original Notice

☐ Supplemental Notice
to WSR _____

☐ Continuance of WSR _____

(a) Title of rule: (Describe Subject) Audited Financial Statements

Purpose: The proposed changes addresses technical issues that arose after the adoption of 48.05.073 and 48.43.097. The proposal clarifies filing requirements and harmonizes the relationship between the WAC and the *NAIC Accounting Practices and Procedures Manual*.

Other identifying information: R 2001-03

(b) Statutory authority for adoption: RCW 48.02.060, 48.05.073, 48.43.097, 48.44.050, and 48.46.200.

Statute being implemented: RCW 48.05.073, 48.43.097

(c) Summary: The proposed rule amends WAC 284-07-130. It conforms the rule to the recent legislation and the NAIC Accounting Practices and Procedure Manual. It clarifies filing requirements and eliminates duplicative provisions and unnecessary information.

Reasons supporting proposal: This rule change was requested by the NAIC in the accreditation process. It clarifies filing requirements and eliminates some unnecessary or duplicative language and provisions.

(d) Name of Agency Personnel Responsible for:

Office Location

Telephone

1. Drafting..... Dennis Julnes

Lacey, WA

(360) 407-0536

2. Implementation.... Dennis Julnes

Lacey, WA

(360) 407-0536

3. Enforcement.....Jim Odiorne

Lacey, WA

(360) 407-0420

(e) Name of proponent (person or organization):

Mike Kreidler, Insurance Commissioner

☐ Private
☐ Public
X

(f) Agency comments or recommendations, if any, as to statutory language, implementation, enforcement and fiscal matters: None

(g) Is rule necessary because of:

Federal Law?

☐ Yes

X No

Federal Court Decision?

☐ Yes

X No

State Court Decision?

☐ Yes

X No

If yes, ATTACH COPY OF TEXT

Citation:

(h) HEARING LOCATION:

Insurance Building
Second Floor Conference Room
14th and Water St.
Olympia, WA
Date: July 3rd Time: 8:00 am

Assistance for persons with disabilities: Contact
Lori Villaflores by June 26, 2001

TDD (360) 407-0409

NAME (TYPE OR PRINT)

Mike Kreidler

SIGNATURE

TITLE

Insurance Commissioner

DATE

May 23, 2001

Submit written comments to:

Kacy Brandeberry
P.O. Box 40255
Olympia, WA 98504-0255
E-Mail: Kacyb@oic.wa.gov
FAX: (360) 664-2782 By (date) July 2nd, 2001

DATE OF INTENDED ADOPTION: July 5, 2001

CODE REVISER USE ONLY

CODE REVISER'S OFFICE
STATE OF WASHINGTON
FILED

MAY 23 2001

TIME 11:58 AM
WSR 01-11-167

(j) Short explanation of rule, its purpose, and anticipated effects:

The proposed rule has three elements:

1. The reference to General Accepted Accounting Principles disclosure requirements is eliminated. NAIC Codification requires specific Statutory Accounting Principles disclosures;
2. The requirement of related party disclosure in WAC 284-07-130(2)(f)(ii) is eliminated as duplicative. Statement of Statutory Accounting Principles 1 already requires this disclosure; and
3. The proposed rule provides consistency with the annual statement instructions and removes some filing requirements for foreign insurers.

Does proposal change existing rules? ☒ YES ☐ NO

If yes, describe changes:

WAC 284-07-130(2)(f) is amended as follows:

Notes to financial statements. These notes shall be those required by the appropriate NAIC Annual Statement Instructions and ~~((any other notes required by generally accepted accounting principles and))~~ NAIC Accounting Practices and Procedures Manual. The notes shall ~~((also))~~ include((:

~~((i))~~ a reconciliation of differences, if any, between the audited statutory financial statements and the annual statement filed pursuant to RCW 48.05.250, 48.05.073, 48.43.050, 48.43.097 48.44.095, or 48.46.080 with a written description of the nature of these differences.

~~((ii) A summary of ownership and relationships of the insurer and all affiliated companies.))~~

(k) Has a small business economic impact statement been prepared under chapter 19.85 RCW?

☒ Yes. Attach copy of small business economic impact statement.

A copy of the statement may be obtained by writing to:

Kacy Brandeberry

P.O. Box 40255

Olympia, WA 98504-0255

E-Mail: Kacyb@oic.wa.gov

telephoning: (360) 664-3784

faxing: (360) 664-2782

☐ No. Explain why no statement was prepared

(l) Does RCW 34.05.328, apply to this rule adoption? ☒ Yes ☐ No

Please explain: This is a "significant legislative rule" for the purpose of RCW 34.05.328

WAC 284-07-130 Contents of annual audited financial report. (1) The annual audited financial report shall report the financial position of the insurer as of the end of the most recent calendar year and the results of its operations, cash flows, and changes in capital and surplus for the year then ended in conformity with statutory accounting practices prescribed, or otherwise permitted, by the commissioner.

(2) The annual audited financial report shall include the following:

(a) Report of independent certified public accountant.

(b) Balance sheet reporting admitted assets, liabilities, capital, and surplus.

(c) Statement of operations.

(d) Statement of cash flows.

(e) Statement of changes in capital and surplus.

(f) Notes to financial statements. These notes shall be those required by the appropriate NAIC Annual Statement Instructions and ~~((any other notes required by generally accepted accounting principles and))~~ NAIC Accounting Practices and Procedures Manual. The notes shall ~~((also))~~ include ~~((~~

~~(i))~~ a reconciliation of differences, if any, between the audited statutory financial statements and the annual statement filed pursuant to RCW 48.05.250, 48.05.073, 48.43.050, 48.43.097 48.44.095, or 48.46.080 with a written description of the nature of these differences.

~~((~~~~(ii)~~~~) A summary of ownership and relationships of the insurer and all affiliated companies.~~~~))~~

(g) The financial statements included in the audited financial report shall be prepared in a form and using language and groupings substantially the same as the relevant sections of the annual statement of the insurer filed with the commissioner, and the financial statements shall be comparative, presenting the amounts as of December 31. However, in the first year in which an insurer is required to file an audited financial report, the comparative data may be omitted.